



December 17, 2003

Board of Supervisors  
Waukesha County Courthouse  
515 West Moreland Boulevard  
Waukesha, Wisconsin 53188

Honorable County Board Members:

Submitted herein is the County's 2004 Budget as adopted by the County Board of Supervisors and signed by the County Executive.

### **LIMITING SPENDING AND TAXES**

The 2004 Budget represents one of the more challenging processes with pressure emanating from the State Legislature to the statewide press which focused on local property taxes while they confronted a \$3.2 billion State government deficit that was years in the making.

The last dozen plus years of well-managed budgets during the "good times" served us well in preparing for and coping with the downturn in the local, state and nationwide economy. In spite of reduced State funding to the County and increasing mandated services requirements, the Adopted Budget reduces the tax rate for the 14<sup>th</sup> consecutive year and limits the property tax increase on existing services to less than 2.6%. The impact to County services in an economic downturn is a paradox to that of the typical private sector business. While their business goes down, our workload increases primarily in economic assistance programs, the court and jail systems, mental health, alcohol and drug treatment programs, and other "last safety net" County programs our citizens depend on.

This budget balances the property taxpayer's ability to pay with maintaining quality government services in Waukesha County. This budget reflects long-term solutions rather than reactive measures to assure control of taxes over the years. As the economy is slow to recover and the State is in the midst of their fiscal crisis, this is a very difficult period for most local governments in Wisconsin.

A vital factor in controlling spending and taxes is to keep a firm handle on position growth. This budget does that by the elimination of non-essential positions and the creation of a limited number of strategic new positions that emphasize improving the bottom line. The overall impact of authorized position changes results in a net reduction of 2.7 FTE positions (excluding the new shared Communication Center operations) and other position changes for a net tax levy reduction of over \$310,000. This investment and control of positions is one of the key reasons that Waukesha County had the lowest per capita expenditures of all 72 counties in 2001 (latest comparison data available).

State shared revenues to local governments are being cut dramatically as we are asked to do our part to help the State. Also, the cost impact of the State's passage of Act 11 in 1999, a \$ 5.0 billion retirement pension benefit sweetener, is beginning to hit local budgets. Health care costs continue to escalate with a premium increase at 16% (after 30% and 25% increases the past two years) in our self-insured plan. In addition, the start up of the new shared dispatch Communication Center operations will impact heavily on this year and next year's budgets, but ultimately should help save local municipalities as much as \$2.7 million a year. \* These major items when taken together have made this year's budget the most challenging to assemble in over a decade. Yet this budget continues to meet core service needs while dealing with these difficult circumstances.

The 2004 proposed tax levy rate declines by \$0.10 per \$1,000 property valuation from \$2.31 to \$2.21, a decrease of 4.4% from the 2003 budget level. Since 1990, the tax rate has been reduced by \$1.12 from \$3.33 per \$1,000 of property value, or over 33%. The County's current tax rate is the lowest in the State of all counties that have not implemented the sales tax (and 70<sup>th</sup> of all 72 counties).

The 2003 general County property tax excluding the new Communication Center totals \$79,792,996 (for 2004 budget purposes), which represents an increase of \$2,015,055 or 2.59% from the comparable 2003 tax levy. The new shared dispatch Communication Center requires new tax levy funding of \$1,471,969 above the 2003 budget, adding 1.9% to last year's total general tax levy. The tax levy increase meets the State legislative proposed tax freeze which if adopted would have limited a county's tax levy increase to the current year's growth in construction property values (2.6% for 2003) and allowed an exemption for assuming responsibility for shared services such as the new Communication Center Dispatch Operations.

The special Federated Library system County tax is approved at \$2,769,187 an increase of \$225,082 or 8.85%. In 2004, the adopted special Library tax rate is \$0.2629 per \$1,000 of property value applied to taxpayers property in communities without libraries.

The County's 2003 budget appropriations total \$237,050,129, which consists of capital project spending of \$28,344,370 and operating expenditures of \$208,705,759. Capital project spending is reduced almost \$1.3 million or 4.4% from last year. The operating expenditure increase is maintained at about 4.5% even after absorbing the significant increases in health insurance costs, the Wisconsin retirement pension, and the new Communication Center.

\* Waukesha County Consolidated Shared Dispatch Study; Virchow Krause and Company report September 26, 2002.

## **IMPACT ON HOMEOWNERS**

The tax bill impact on County residential taxpayers, based on an average home value at \$218,700 (2000 census value each year adjusted for residential market inflation) will result in an average County tax increase of about 2.2%. In the past ten years, the average value of a Waukesha County house has increased from \$144,300 in 1994 to \$218,700 in 2003. The County taxes on that house in 1994 was \$437 and the proposed tax would be \$483 in 2003 (for 2004 budget purposes) or about a 1% increase per year.

## **TOUGH BUDGET CHOICES**

As part of meeting this challenging budget process department administrators had to make tough budget priority choices under tight fiscal guidelines. They have responded with actions to reduce budget expenditures, finding other revenue funding sources, initiating cost effective solutions to maintain most service levels and ending non-essential, non-mandated services and programs.

The UW Extension Office tax levy base for 2004 is reduced by \$100,000, as the department plans to focus on generating grant funding for specific program services and continue to rely on State resources and collaborative regional efforts to sustain services and programs. The County continues 40% share of funding for about 2.5 FTE faculty staff and reduces county funding of some clerical support staff, which will be partially replaced with other grant funding sources.

The County's Transit Service contractor recommends adjustments to certain routes that are not cost effective due to a lack of riders and the resulting high costs per passenger trip. The tax levy for Transit services is reduced \$50,000 from the 2003 budget level

The lack of a State/County partnership is especially notable in the funding shortfall for the State Circuit Court system and Human Service programs, which continue to require more local funding of mandated continuing services. For the last eight consecutive years, the State budget has provided no increase in the County's major Human Services funding source, the Basic County Allocation (BCA). This lack of increase in BCA is a significant driver increasing Health and Human Services local levy need by an additional \$860,000. While locally generated court fee charges increase, the State has not provided for additional State circuit court support grant funding allocations to this County. Instead the State has absorbed increasing fine and forfeiture revenues collected by County's into the State budget. Since these revenues are sent to Madison to fund state government, the County will need to levy nearly \$128,000 of additional property taxes to support State Circuit Courts for 2004 in spite of efficiencies and budget actions taken.

The State budget reduces nearly \$160,000 of Income Maintenance administration funding to the County. This is in addition to decreased State funding to the County's W-2 contract service provider at a time when caseloads have increased by 50% in the recent 3 years. Since the State enforces caseload performance standards regardless of funding, the County will be reviewing a cost savings measure in 2005 that should not affect caseload administration. The savings would come from relocating County service at the Human Services Center eliminating Workforce Development Center rent charges. Unfortunately, this results in the dismantling of the successful one-stop economic assistance program services at the Workforce Development Center which the County, other private entities and government agencies provided.

Certain non-core, non-mandated Human Services programs are being eliminated in this budget due to fiscal pressures in mandated programs. Reductions include the final phase out of the BASIC (Basic Assistance and Services for Individuals in Crisis) medical payment program and the indigent burial program.

## **LIMITED BUDGET INITIATIVES**

Under mounting fiscal pressures, and with timing of the economic turnaround still uncertain, this budget continues to make careful management decisions and good investments in cost effective initiatives for our future.

- The new Public Works Communication Center will deliver efficient and reliable shared dispatch services with an investment in the most current technology to assist a seamless transition to the combined emergency dispatch and call taking services for 29 municipalities in 2004. The 2004 operating budget includes \$1.7 million for dispatch start up operations including \$1.472 million of additional tax levy over the 2003 base budget. This includes staffing as outlined and required in County enrolled ordinance #158-019. The new Communication Center will result in significant costs savings to local municipalities that have joined the shared dispatch service operations.
- The Criminal Justice Collaboration Council budget appropriations for 2004 total \$308,600 and tax levy support for this program is increased by \$100,000 over the 2003 base budget level. This includes \$50,000 to develop a new cost saving initiative aimed at controlling or reducing jail inmate population growth and reducing jail inmate recidivism. A planned second addition to the County jail was deferred from the final year of the capital plan last year with the expectation of program results in the next several years.
- This budget provides a first-year grant payment of \$140,000 funded with general fund balance for countywide Hazardous Materials (Hazmat) emergency response. This will fund a cooperative effort with the City of Waukesha – Fire department to extend their response to Hazmat incidents throughout the County. With this funding, local jurisdictions can eliminate duplicative services and coverage will be expanded to communities previously without coverage. The County plans to seek grant resources to assist with service continuation in 2005. Considerable savings in municipal budgets are expected from those fire departments throughout the County that currently maintain Hazmat response units.

## **INFRASTRUCTURE INVESTMENTS**

The County prudently plans for its infrastructure needs and continues to manage its debt financing carefully to protect its Aaa/AAA Bond rating. The Capital Projects plan for 2004-2008 continues to focus on Highways and Justice & Public Safety projects. Highway projects comprise over half (55%) of project plan expenditures with the Justice and Public Safety area at nearly 33% of the project plan expenditures. Changes were made in delaying some projects to reflect similar tight levy constraints in the capital budget as proposed in the operating budget.

Capital project spending for 2004, is at \$28.3 million, a decrease of about \$1.3 million from the 2003 budget. This capital budget maintains our fiscal integrity as part of a balanced capital plan. We continue to fund the capital budget with more than a 20% tax levy down payment and we do not borrow more than have planned or extend our borrowing term.

Vital capital projects including necessary budget appropriation funding are as follows:

- On-going funding in 2004 for 22 existing projects totals almost \$24.6 million or nearly 86% of the proposed budget. This includes \$11.6 million for building construction projects of which \$10.0 million is the second year construction funding of the Justice facility expected to open mid-year 2005 with 278 additional cells.

- Also, nearly \$11.0 million is appropriated for existing road projects, which includes \$5.1 million for phase 1 reconstruction of 2.3 miles of CTH L (Janesville Road in Muskego) to a multi-lane segment of road; \$2.1 million for rehabilitation of CTH P (Wisconsin Ave. in the Town of Oconomowoc); and \$1.0 million for widening CTH J (Pewaukee Road in Pewaukee) as part of jurisdictional transfer agreements. The Highway repaving program is funded at almost \$2.1 million to repave approximately 15 to 20 miles of roadway. Several existing Information Systems technology projects continue with appropriations totaling \$1.8 million.
- The 2004 capital budget includes three projects, which are scheduled in the capital plan including design costs of \$1.0 million for the reconstruction of CTH Y-Racine Avenue and CTH O Moreland Road projects. Design plans will also be developed on the infrastructure upgrade and replacement of the countywide Public Safety mobile data system.
- Ten new projects add about \$2.7 million to the 2004 budget. These projects include \$1.2 million for three intersection improvements and one bridge project. Information system projects require \$855,000, which includes \$355,000 for a Oracle Infrastructure upgrade; \$300,000 for countywide cashing system; a \$150,000 for Citrix Server development; and \$50,000 for HIPAA Security. In addition, two building projects include \$365,000 for the demolition of the old boiler room at the Northview Facility, and \$219,000 to replace air handling units for better energy management at the Human Service Center.
- Three projects are delayed one year including Information systems office software package upgrade, Telecommunication systems upgrade, and the Parks bikeway path improvements result in shifting expenditures of \$693,000 to the next year. In addition, two projects funding requirements are reduced including shifting \$4.0 million from 2004 to 2005 based on an updated timetable of cash flow needs to fund the Justice Facility construction expenditure requirements.

## **PROJECT FUNDING AND DEBT MANAGEMENT**

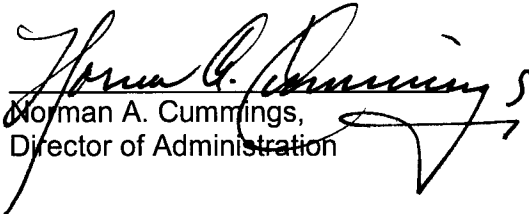
- ◆ The 2004 Capital projects budget is funded with revenues totaling \$2,630,468, which is a reduction of \$2.0 million from the 2003 budget. The revenues mainly consists of Transportation related funding from a combination of federal, state and local sources of \$1.225 million; an estimated \$600,000 from the State for the technology/computer equipment exemption from the personal property tax base, and State Shared revenue of \$355,000. Local revenue sources also include about \$255,500 in municipal loan repayments for the municipal share of the Communication Center facility and related computer software. In addition, Federal Homeland Security- Emergency Preparedness funding of \$120,000 is provided to fund the Courthouse/Administration Center Campus security project.
- ◆ Fund balance appropriations total \$6,260,570 (including \$4.4 million of reserved general fund balance), primarily \$3.6 million of prior year jail assessment fee revenues and \$770,570 of prior years Federal prisoner revenue planned to help fund the Justice Facility-Jail expansion project. Proprietary fund related Capital projects utilize fund balance totaling \$795,000 mostly for various Internal Service fund projects. Human Services fund balance of \$650,000 is used as one time funding to complete their expenditures Information systems project, and Capital project fund balance of \$445,000 is also appropriated to fund 2004 projects.

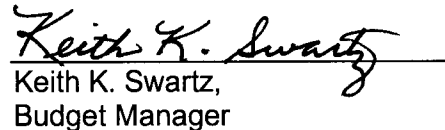
- ◆ In addition, other major project funding includes debt borrowing of \$14.0 million; investment income on the borrowed funds of \$700,000 and a tax levy down payment of \$4,753,332. The tax levy amount budgeted for capital projects decrease \$395,974 from the 2003 budget amount and funds 24.4% of net expenditures (after revenues and fund balances are applied).
- ◆ The 2004 capital projects require an increase in total debt service tax levy of \$496,650. The debt service budget for 2004 continues to be within compliance of the State's imposed levy rate constraints on counties. The debt service expenditure to total governmental operating expenditure ratio is maintained at 7%, which is well below the County's performance measure of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices to maintain the County's coveted Aaa/AAA bond ratings. These ratings help lower the County's borrowing costs for taxpayers.

### ACKNOWLEDGEMENTS

This Adopted Budget represents our County's ability to "Meet Today's Challenges" using strong financial management principles and consistent budgeting practices. This approach leads the way to maintaining control of taxes and spending that achieve results with sound long term solutions rather than being reactive.

Sincere appreciation is extended to department administrators and staff for their extra effort in developing this challenging budget. All these efforts, and the thorough review and approval by the County Board of Supervisors, are greatly appreciated.

  
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